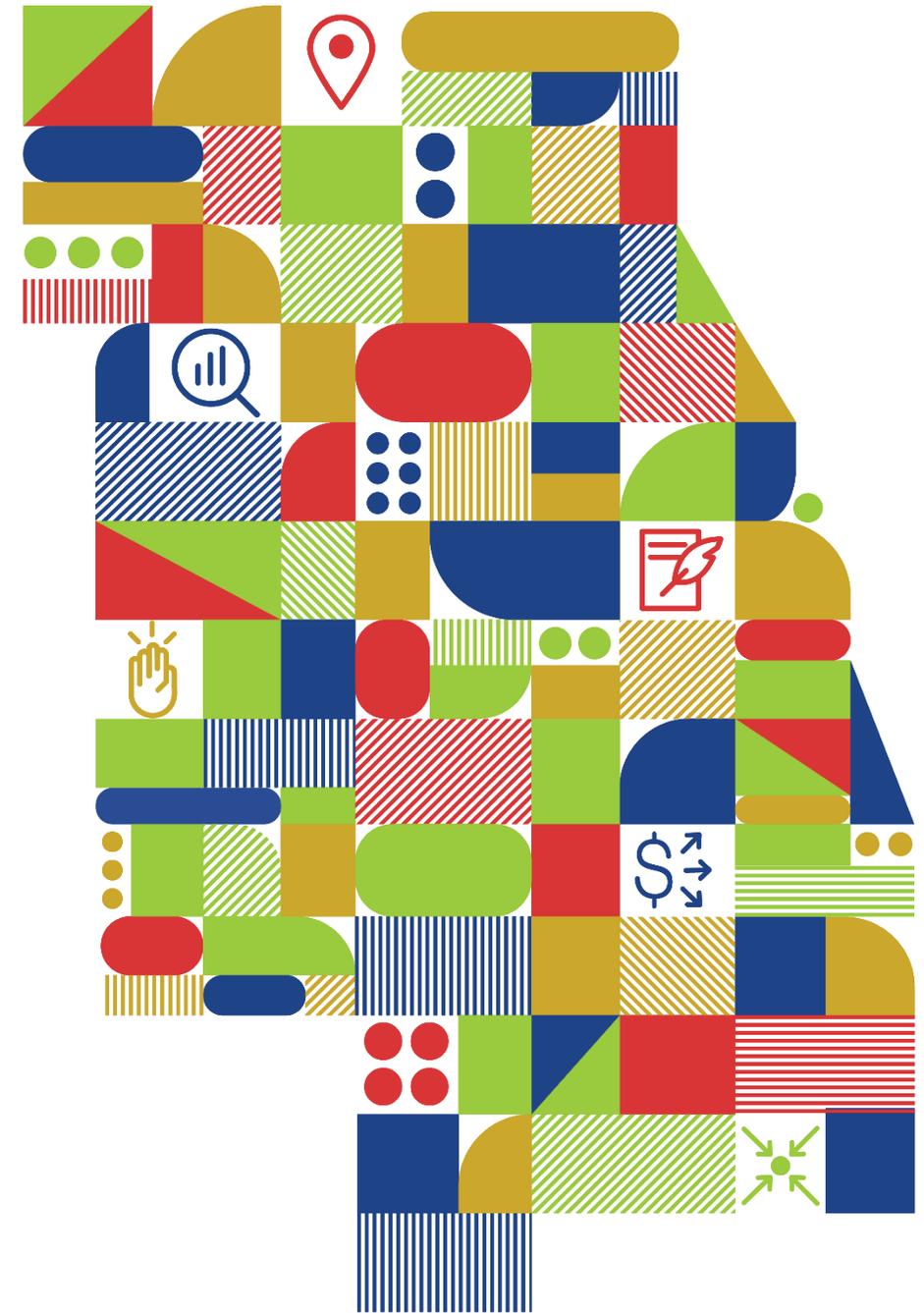




Improving local development incentives

June 1, 2021



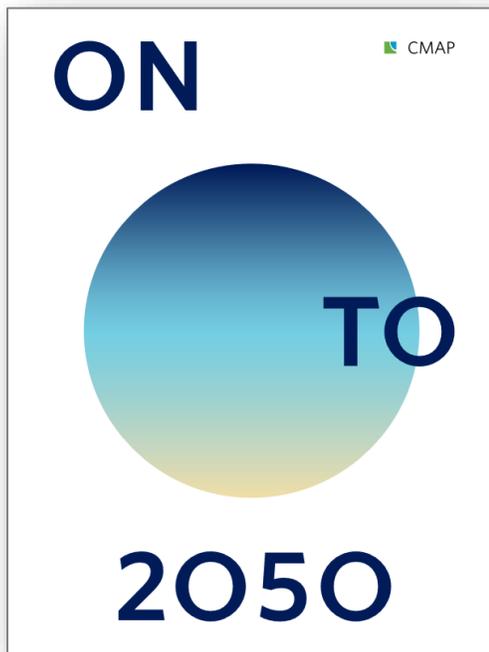
ON



2050

Institute stronger standards for transparency and accountability of economic development incentives

Align incentives with local and regional goals, anticipated outcomes, and tradeoffs



1



2

Prevalence report

3

Incentives Consortium

Direct community support

Incentives Guide

Improving local development incentives

Effective practices for local governments in northeastern Illinois



Fundamental tension

Local perspective

Steep competition

Revenue disbursement

Slow growth

High property tax burden

Limited capacity

*Structural challenges encourage
incentive use*



Wider angle

75% of incentives do not sway
business location decisions

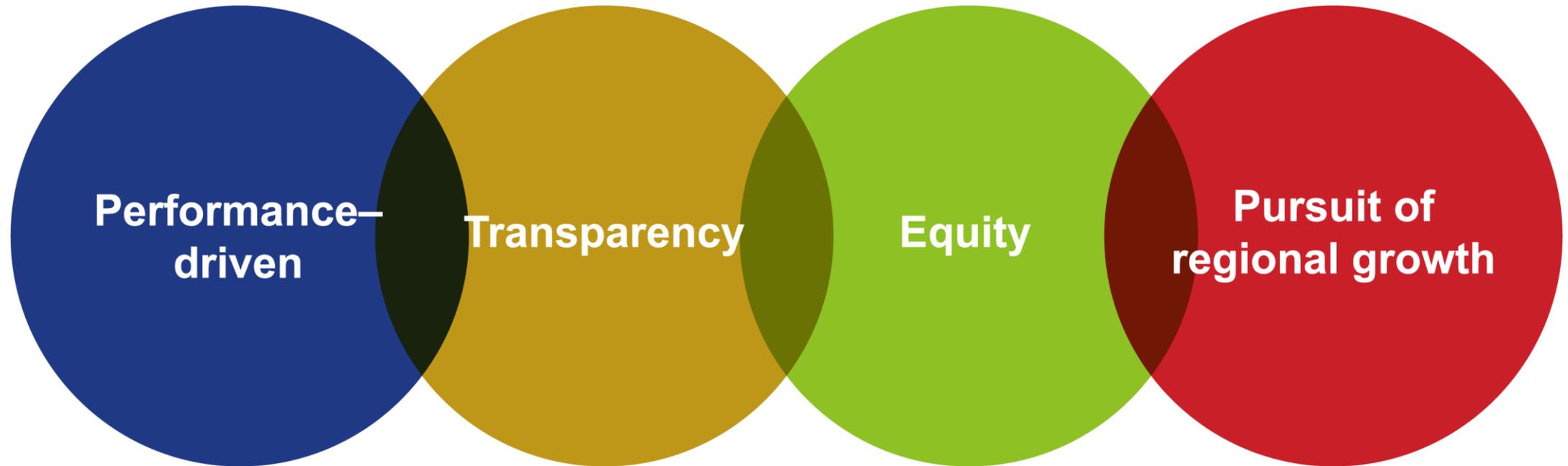
Information asymmetry

High indirect costs

Competition between local gov'ts
can drive revenues down

*Incentive use can reinforce
structural challenges*

Four key principles



Strategies & Practices A

1. Establish goals and conditions publicly
 2. Use incentives to develop community benefits and advance racial and economic equity
 3. Give incentives only when they actually make a difference
 4. Target projects with the greatest potential impact
 5. Ensure the benefits of each incentive outweigh its costs
- ✓ Adopt a formal incentives policy stipulating goals & requirements
 - ✓ Collaborate with community to define a “menu” of acceptable contributions from incentivized businesses
 - ✓ Structure incentives to have shorter time horizons
 - ✓ Establish maximum incentive amount per job created
 - ✓ Include tax revenue floors so district can “make themselves whole” first

Strategies & Practices B

6. Consider non-financial solutions to challenges faced by prospective businesses
 - ✓ Negotiate to provide public goods and/or risk reduction instead of providing tax incentives
7. Design incentives to promote high quality employment
 - ✓ Negotiate to fund tailored job training instead of tax incentives
8. Give incentives in partnership — rather than competition — with other local governments
 - ✓ Transparent reporting of incentives' financial impact; consider revenue-sharing, non-poaching agreements
9. Establish, monitor, and enforce business commitments
 - ✓ Structure incentives as pay-for-performance
10. Conduct transparent evaluations of incentive programs
 - ✓ Public post-mortem evaluations; establish practice of self-improvement

cmap.is/incentives-guide

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Improving local development incentives

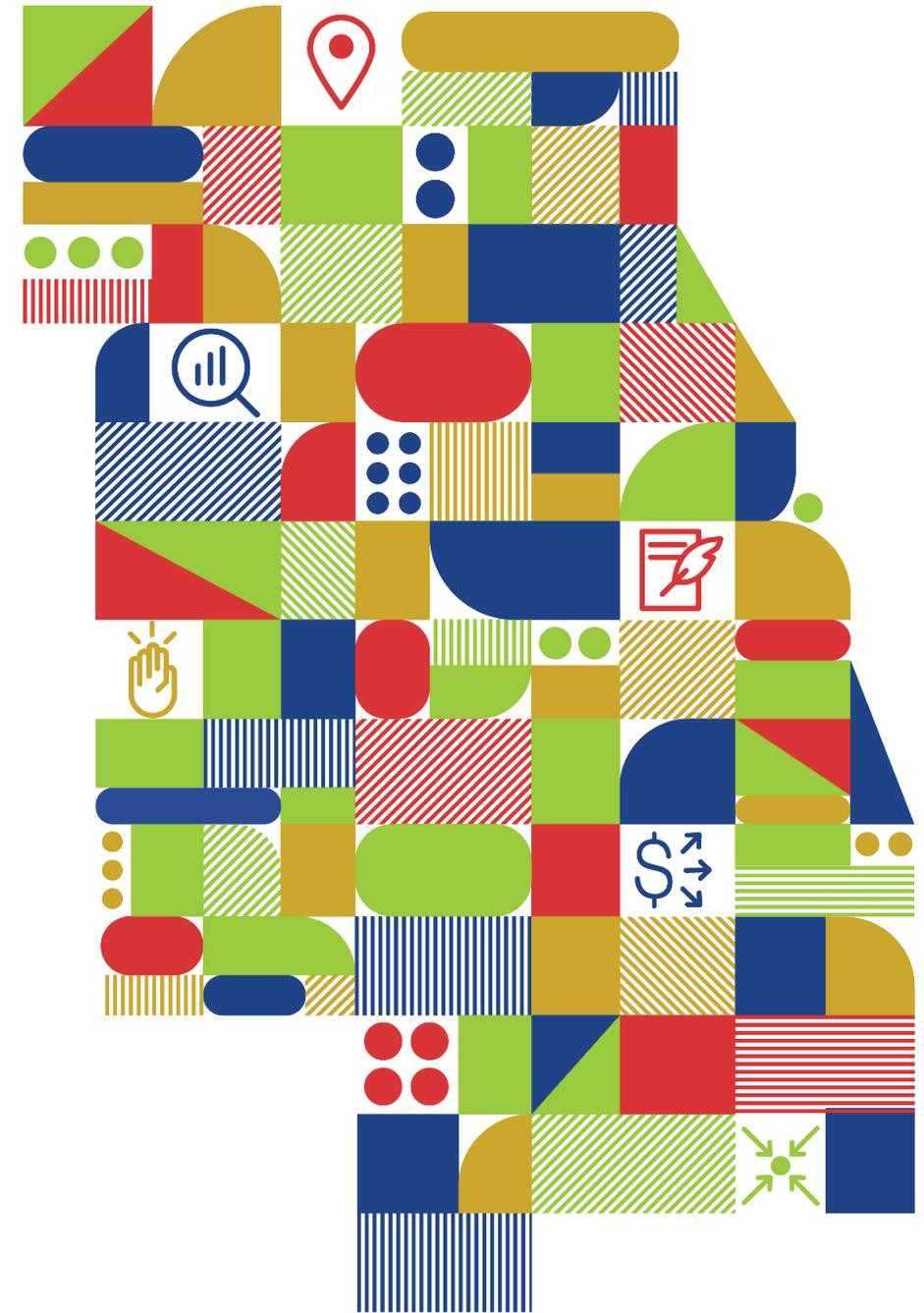
Effective practices for local governments
in northeastern Illinois





Use of development incentives

Initial findings

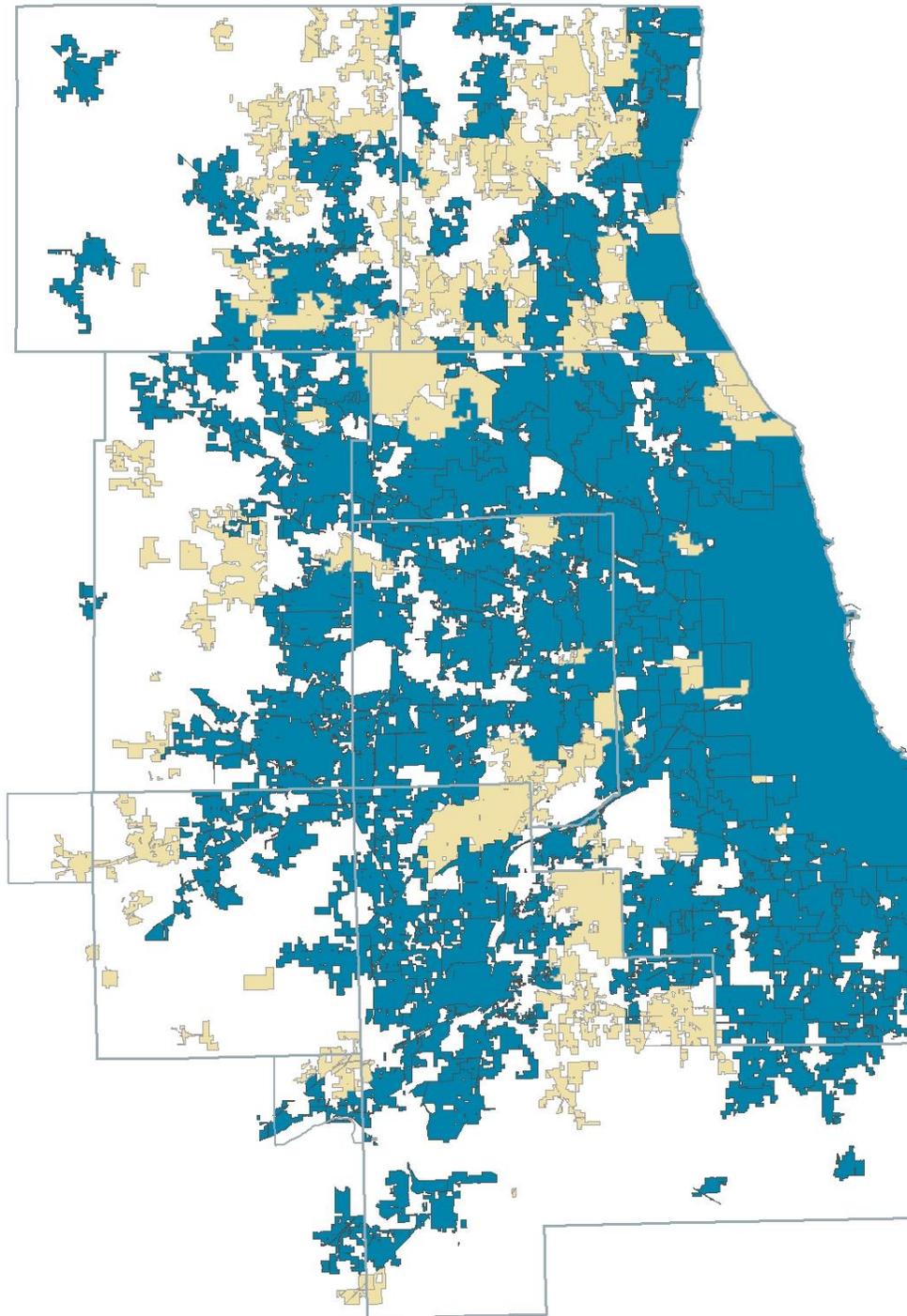


Municipalities with active incentive agreements or TIF districts

- No incentive agreements or TIF districts
- Current incentive agreements or TIF districts

Note: Map includes municipalities with current agreements for sales tax rebates, property tax abatements, Cook County assessment classifications 6, 7, and 8, and Tax Increment Financing districts.

Source: Chicago Metropolitan Agency for Planning analysis of Illinois Department of Revenue, Cook County Assessor's Office, and various county treasurer's office data.



\$16.9 billion

Incremental equalized assessed value in a TIF districts

\$447 million

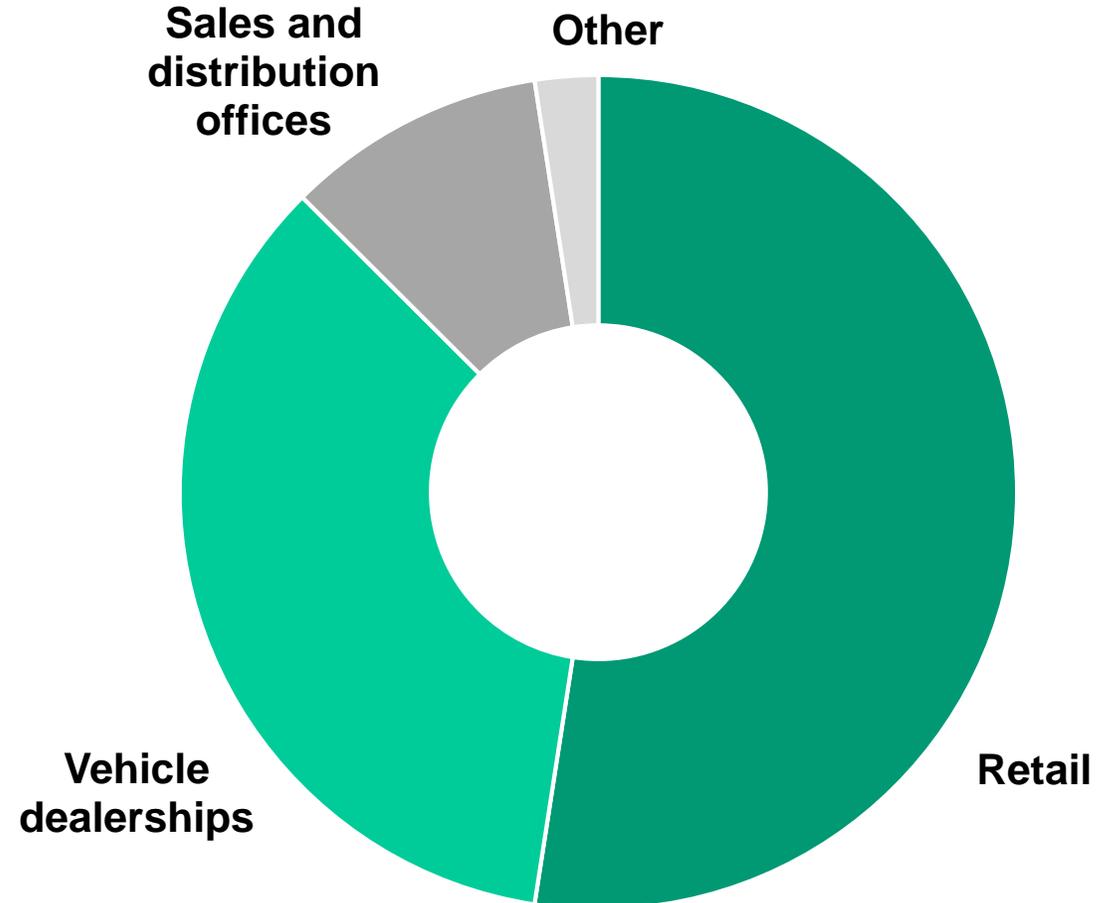
Sum of sales tax rebates' published maximums

Objectives

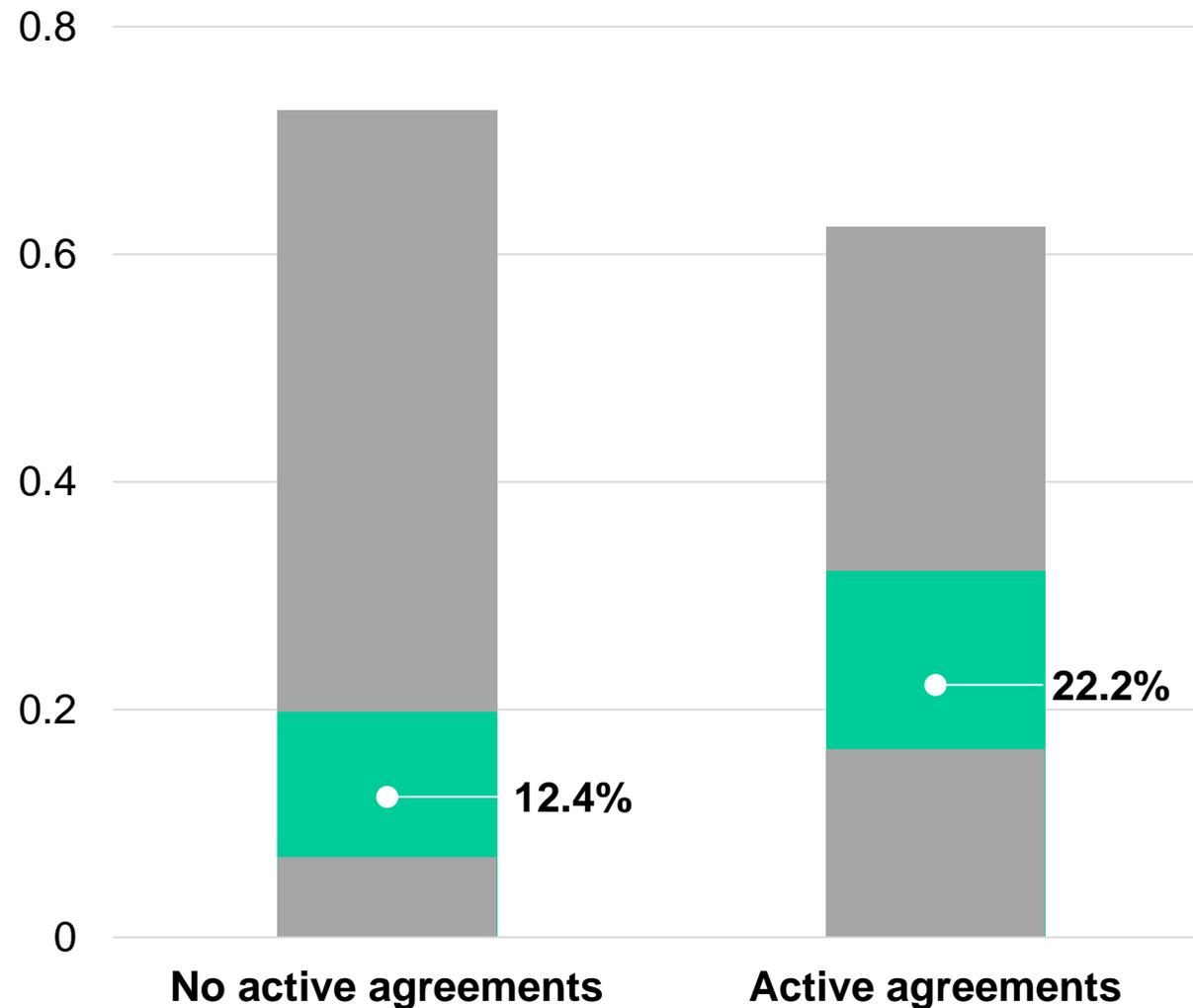
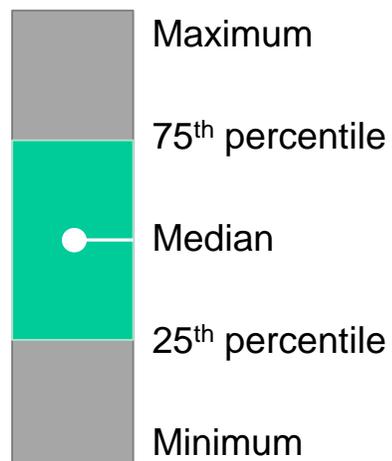
- Provide systematic data and context on incentive use
- Support uptake of *Improving local development incentives* guide
- Engage officials on reforms to tax policies and incentives
- Frame local incentives in the context of broader regional policy and investments decisions

Sales tax rebates

- 328 active agreements across 123 municipalities
- *Published* maximums of \$447 million but actual rebates could well-exceed this amount
- Despite state legislation, data is inconsistent and incomplete



Municipal reliance on sales tax revenue by use of rebates, 2019



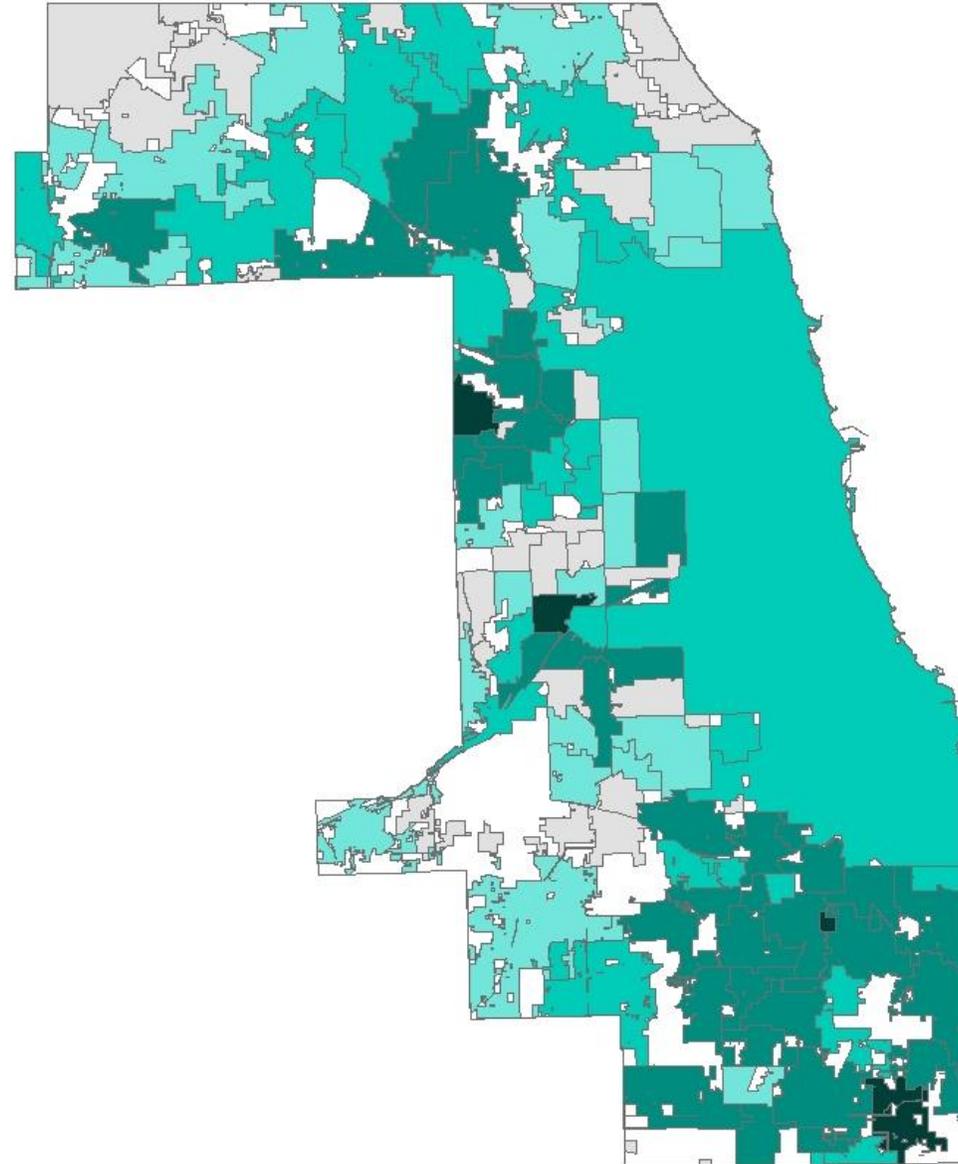
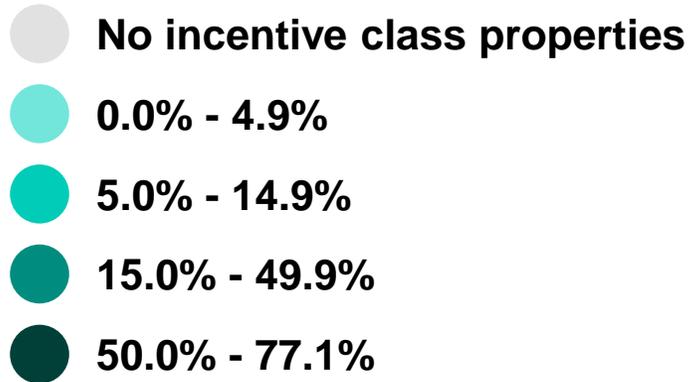
Note: Set includes 278 of northeastern Illinois' 284 municipalities, with insufficient data for the excluded municipalities.

Source: Chicago Metropolitan Agency for Planning analysis of Illinois Office of the Comptroller and Illinois Department of Revenue data.

Cook County incentive classes

- 95 of 134 municipalities and portions of unincorporated Cook County used incentive classes in 2019
- 8.9 percent of estimated commercial and industrial market value
- Ongoing popularity indicates classification adversely affects the tax burden for businesses and impedes economic development

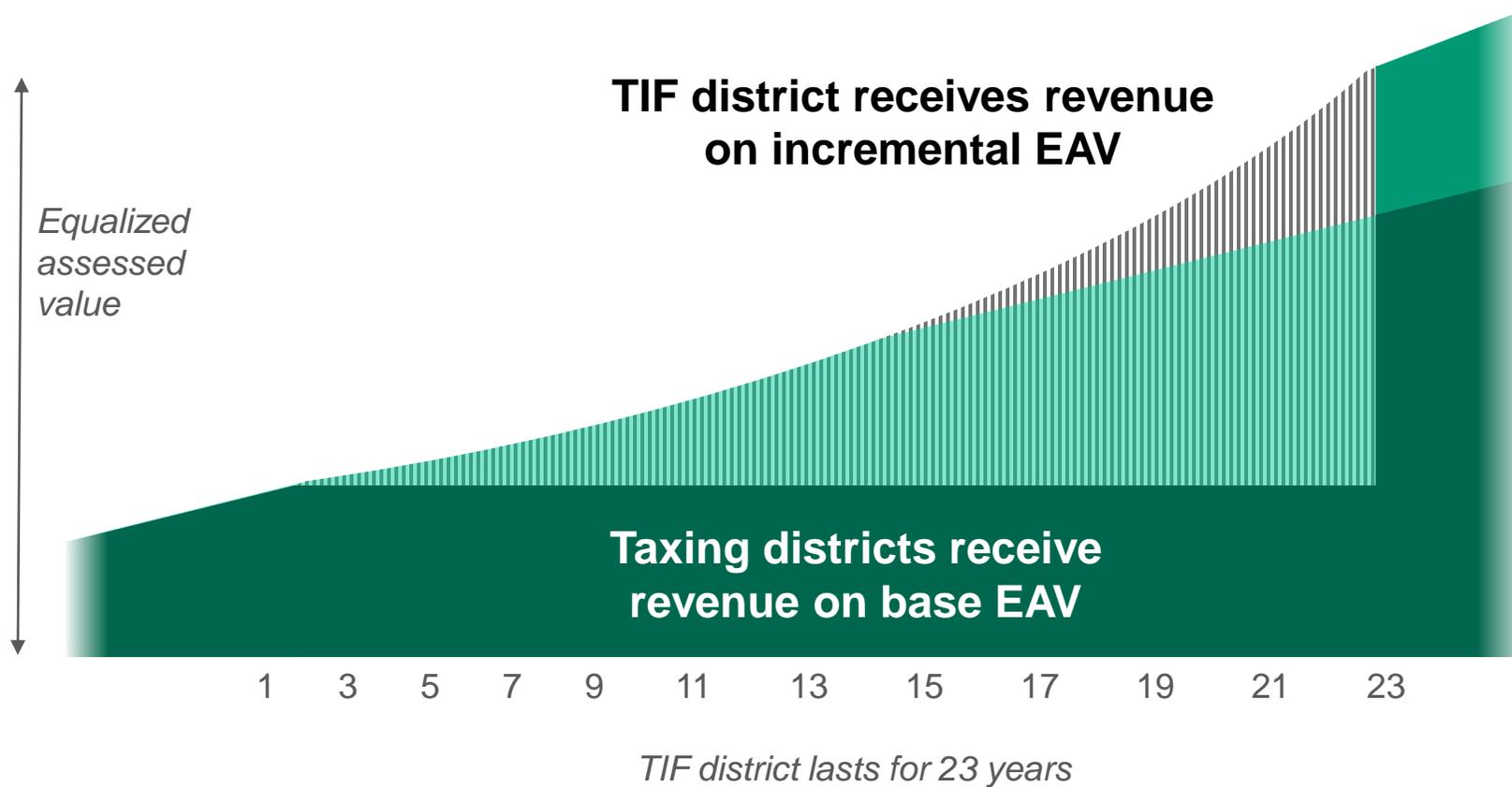
Share of estimated total commercial and industrial market value in incentive classes, 2019



Note: Analysis includes only Cook County properties for municipalities spanning multiple counties.

Source: Chicago Metropolitan Agency for Planning analysis of Cook County Assessor's Office data.

Tax increment financing

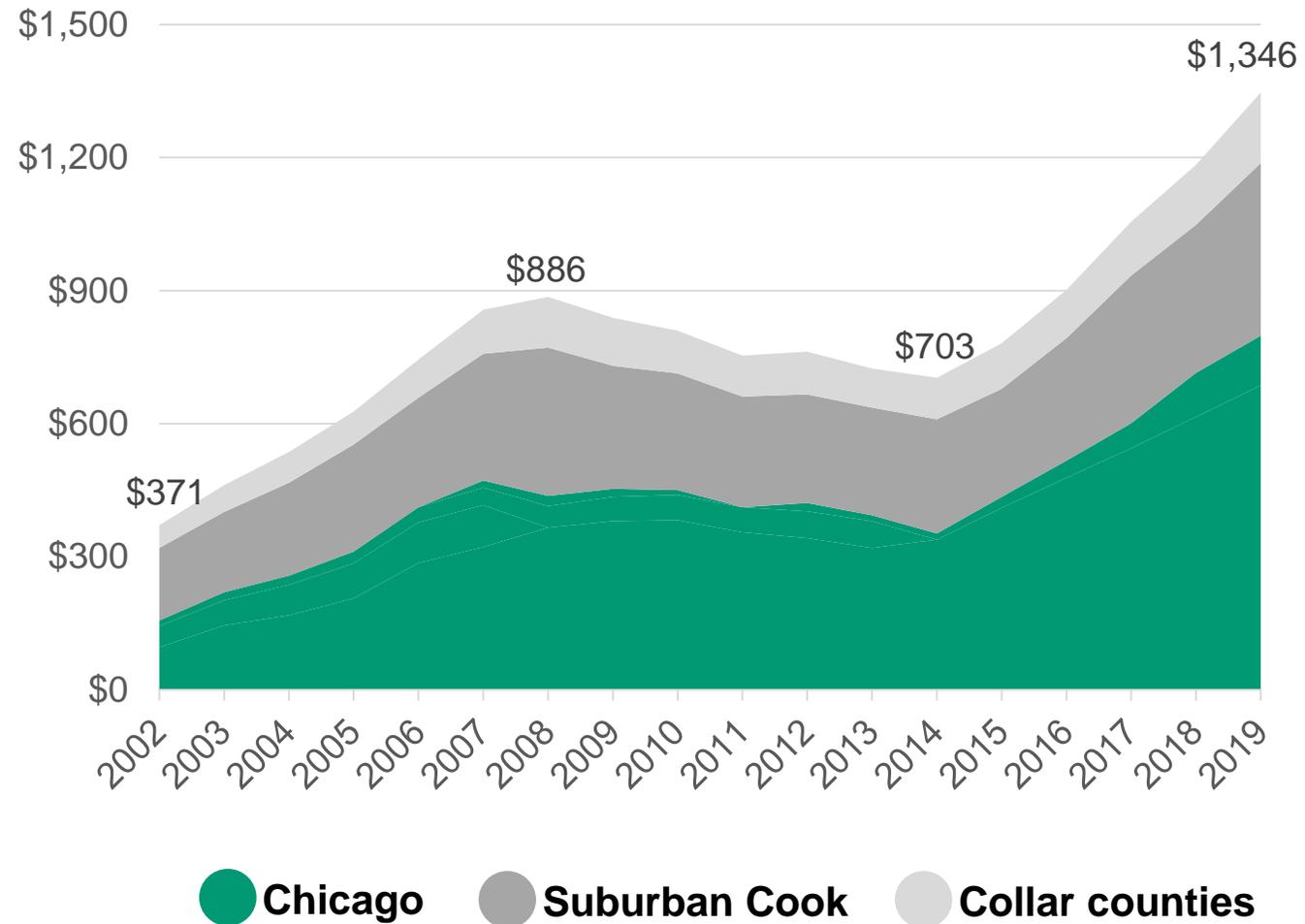


Tax increment financing

- 5.9 percent of the region's property tax base is committed to raising TIF revenues
- 181 municipalities have an active TIF district, with annual total revenues surpassing \$1.35 billion

Tax increment financing

- \$14.3 billion collected through TIFs in 2002-19 (adjusted for inflation) with 3x annual totals
- Mixture of expansion and value appreciation
- Regional trends partially driven by districts in the Loop



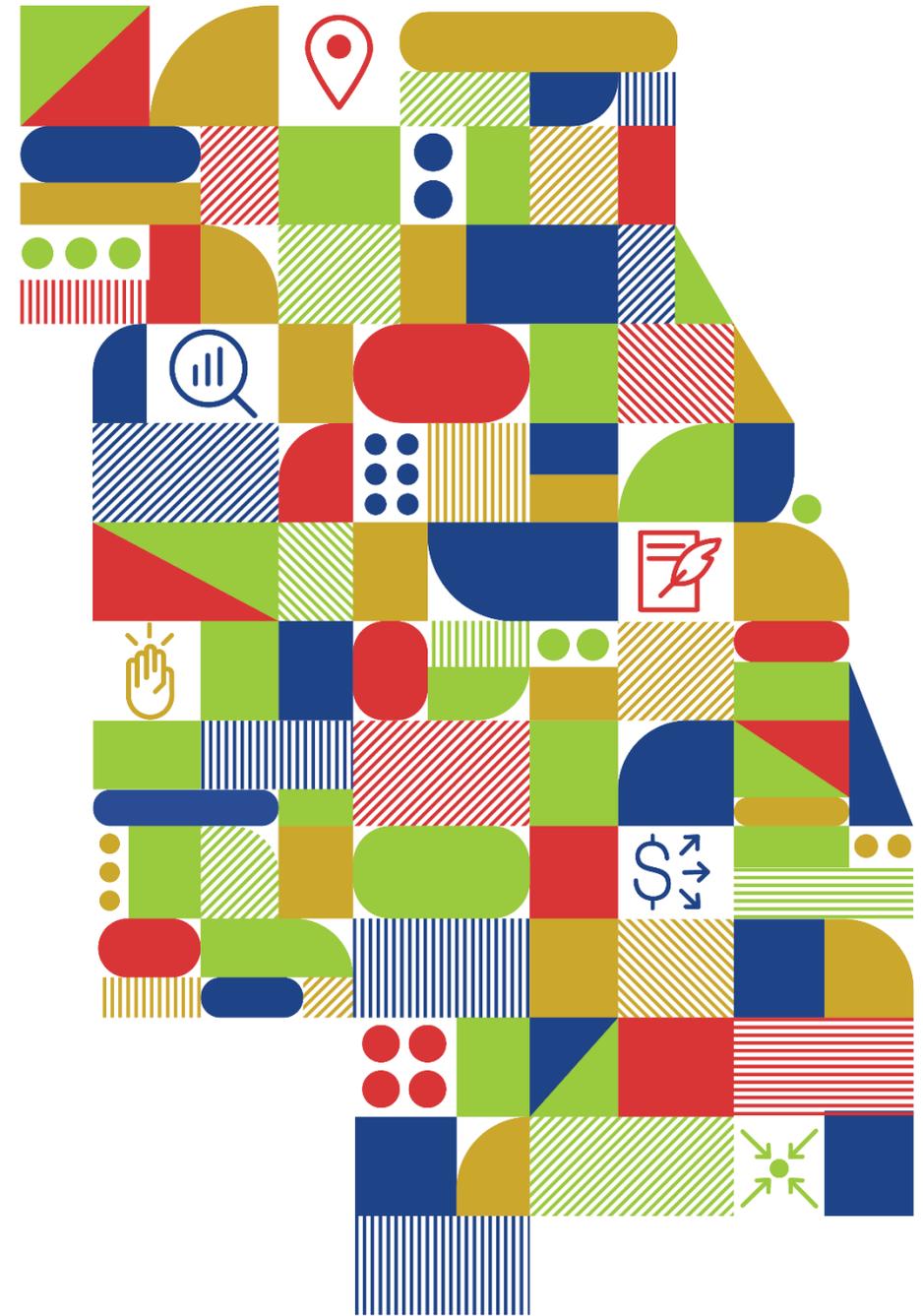
Next steps

	Share of municipal pop. living in EDS	Median household income	Potential tax base per capita (total EAV and retail sales)	Reliance on property tax revenues
No incentive agreements or TIF districts	6.8%	\$110,222	\$70,558	23.4%
Current incentive agreements or TIF districts	26.7%	\$81,079	\$66,026	32.8%



Incentives Consortium

Dustin Calliari



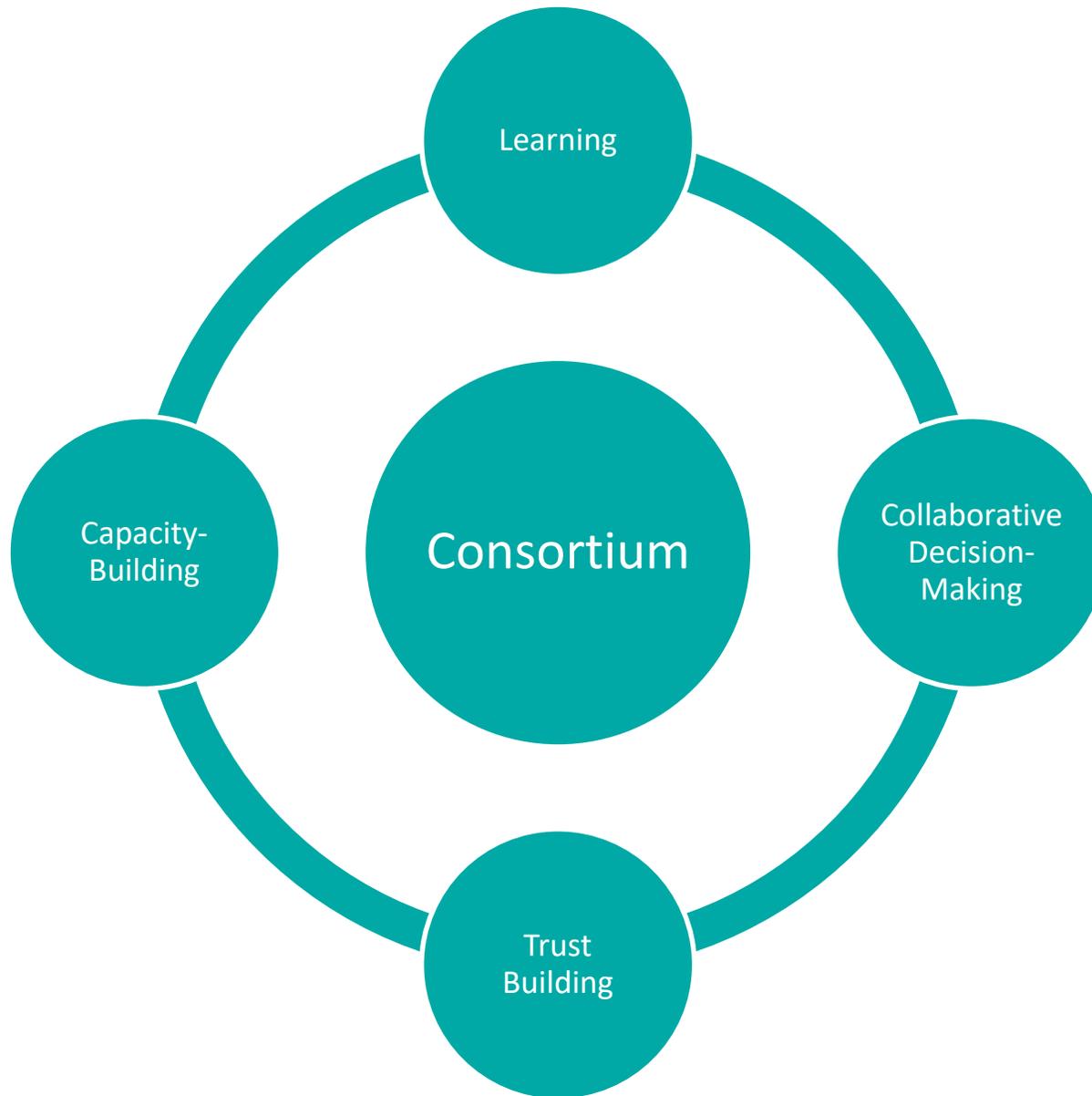
Capacity Building Consortium

Evolution of the Embedded Staff Planner program

3 consortia

- Public Space and Innovation – ongoing
- Local Incentives
- State Revenue

Leave participants with more capacity to create change



Logic for Collaboration

CMAP Goals

- Convene stakeholders
- Generate knowledge
- Build capacity
- Shape Policy

Community and Partner Goals

- Professional development
- Connections with peers and neighbors
- Learn and generate best practices
- Avenues to establish partnership(s)

Considerations

Make incentives more effective

Next step of incentives work

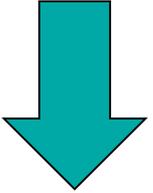
Build trust and consensus

Program Design and Activities

“Pre-Work” Phases



Subregional Consortium



Create Consortium

- Subregional agreement

Professional Development

- Establish shared direction through discussions, listening sessions, and examples

Industry Exchange

- Leverage industry partners and data analysis to generate evaluation guide

Peer Exchange

- Accelerate action on policy through expert panel(s) and MOU (added capacity)

Subregional Collaboration

- Reach consensus and achieve concrete policy steps

Discussion Questions

1. What affect do types of land uses have on your approach to incentives?
2. How do development challenges vary across communities that you work in? What role do incentives play in addressing them?
3. Can incentives help address issues of equity?
4. How can incentives retain existing businesses?



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